



The State of New Hampshire
DEPARTMENT OF ENVIRONMENTAL SERVICES



Thomas S. Burack, Commissioner

February 10, 2016

The Honorable Gary Daniels, Chair
Senate Capital Budget Committee
State House, Room 103
Concord, NH 03301

RE: SB 367-FN, including state water pollution control and public water systems grants proposed by the department of environmental services in the capital budget.

Dear Chairman Daniels and Members of the Committee:

Thank you for the opportunity to comment on SB 367-FN, which would require that projects receiving state aid grants for water pollution control under RSA 486 or public water systems under RSA 486-A be included by the New Hampshire Department of Environmental Services (NHDES) be funded through the biennial state Capital Budget rather than continuing the current and historical practices of funding these projects in the NHDES Operating Budget. The NHDES opposes this bill and appreciates this opportunity to provide our concerns.

To begin, the state aid grant programs for water pollution control and drinking water that are affected by this bill are among the most important and successful programs in the state's history. Over the past 50 years, more than \$400 million in aid has been granted to eligible New Hampshire entities to help offset the cost of local environmental infrastructure projects. Many of New Hampshire's communities would have found necessary environmental infrastructure projects unaffordable were it not for state aid. It is important to note that this investment in local infrastructure has unquestionably benefited the entire state in the form of a healthy and clean environment which not only provides a high quality of life for our citizens but also draws many outdoor enthusiasts and weekend visitors to the state and helps support a statewide tourism economy. The NHDES continues to fully support the continuation of this aid but does not believe that it should be from the capital budget for the reasons described below.

Our primary reason for not supporting SB 367-FN is that it will result in the assistance for these projects being more expensive for the state. Unlike funding through an operating budget, authorization in the capital budget would result in the state's portion of the project having to be bonded and would, therefore, require the state to pay interest on the bonded debt.

When preparing the fiscal impact worksheet for the LSR, we made two key assumptions: first, that all 213 current G&C approved SAG grants would remain in the Operating Budget with the total remaining balance owed on July 1, 2017 at \$63.9 million; and, second, that all future grant awards would be from the Capital Budget. In estimating future project costs, we used only those projects of which NHDES is currently aware. Based solely on that identified universe, future grants would total approximately \$106 million. The estimated interest expense on those grants would be an additional \$54 million.

These figures do not include an estimate for any additional future projects yet to be started by communities. Independent reports put the statewide wastewater infrastructure need at over \$2 Billion over the next 10 years, and under the current funding formula the State's share of that would be approximately \$400 million.

During the summer of 2015, a joint legislative committee met to study the issue of how to fund state aid grants (see attached report). This committee's findings noted that "... there was concern that borrowing money to pay existing loans was not a prudent solution."

In addition to this concern, it is our understanding that the Capital Budget should have as its first priority addressing the needs of state capital projects. If this is true and it is the sponsors' intent to increase the likelihood of funding for water infrastructure state aid grants, we are concerned that putting state aid grant projects in competition with other state agencies' capital requests may put the funding for community water projects into greater jeopardy than if it were to remain in the NHDES's Operating Budget. We also have concerns that if state projects are not the priority, this bill could result in limiting the NHDES's and other state agencies' ability to obtain funding for critical capital projects.

In closing, the NHDES recognizes that inclusion of these payments in either the Operating Budget or Capital Budget is not a perfect fit. However, the savings realized by not bonding these funds, the historical success of utilizing the NHDES's Operating Budget for this purpose, and our concerns about how this aid would be prioritized in the Capital Budget provide the basis for our opposition to SB 367-FN.

Thank you for your consideration in this matter. If you have questions or need additional information, please contact Susan Carlson (603-271-1881) or me (Thomas.burack@des.nh.gov or 603-271-3449).

Sincerely,



Thomas S. Burack
Commissioner

Enclosure

cc: Sen. Bradley; Rep. Buco

